

## INFORMATION PAPER

SAIE-RCI  
February 2003

SUBJECT: Army's Residential Communities Initiative (RCI) Army Family Housing (AFH) Privatization Program

1. Purpose. To provide information on the RCI Program.

2. General.

a. The Department of Defense (DoD) / Army goal is to eliminate all inadequate family housing in the United States by 2007 using a combination of: (1) traditional Military Construction (MILCON), (2) Basic Allowance for Housing (BAH) increases, and (3) privatization. In 1996, the Military Housing Privatization Initiative Act (MHPI) provided the military Services with the authorities to leverage scarce funds and assets to obtain private sector capital and expertise to operate, manage, maintain, improve and build military housing in the United States.

b. The Army's housing privatization program, known as the Residential Communities Initiative (RCI), is an essential element for solving The Army's acute family housing problem. The Army's RCI program is dedicated to building quality residential communities for soldiers and their families. Further, the RCI program is built on partnerships with private sector world-class developers. Our partners' expertise, experience, innovation and willingness to work collaboratively with key stakeholders are key elements to the programs success. To continue this momentum, the RCI program requires dedicated support from all key stakeholders.

c. The Army's privatization program began with 4 projects and will expand to 28 projects by the end of fiscal year (FY) 2005. These 28 RCI projects represent over 71,000 homes, equating to close to 80% of the AFH inventory in the United States.

d. RCI Project Summary: The Army has transitioned four projects to privatized operations. The development partner is responsible for operations, maintenance, and renovation, replacement of existing homes, and construction of additional houses.

(1) Fort Carson's 1,823 homes were privatized in November 1999, and partner will construct 840 more - 618 new units built, and 222 ongoing. 943 renovations complete.

(2) Fort Hood's 5,622 homes were privatized in October 2001, and partner will construct 290 more - 36 new units built, and 354 ongoing, 96 replacement units ongoing and 144 renovations complete.

(3) Fort Lewis' 3,637 homes were privatized in April 2002, and partner will construct 345 more – 44 new units built, 162 ongoing, 29 replacement units ongoing, 31 renovations complete, and 58 ongoing.

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(4) Fort Meade's 2,862 existing homes were privatized in May 2002, and partner will construct 308 more. 925 upgrades complete.

e. The Army has selected partners for eight projects. Installation teams are collaborating with these partners to develop 50-year Community Development and Management Plans. Transfers of assets/operations are expected to occur in late FY 2003/FY 2004. (1) Fort Bragg, NC - 5,578 homes, (2) Presidio of Monterey and Naval Postgraduate School, CA - 2,268, (3) Fort Campbell, KY - 4,807, (4) Fort Belvoir, VA - 3,068, (5) Fort Hamilton, NY - 228, and (6) Fort Irwin, Moffett Community Housing, Parks Reserve Forces Training Area, - 3,052, (7) Fort Stewart - 3,703, and (8) Forts Eustis-Story-Monroe - 1,193. .

f. The Army has four projects in various stages of procurement. (1) Fort Polk, LA - 3,641 homes, (2) Walter Reed Army Medical Center, DC - 221, (3) Fort Detrick, MD – 173, and (4) Fort Shafter – Schofield Barracks, HI - 7,364.

g. The Army plans to solicit partners for twelve projects in FY 2003-2004. (1) Fort Leonard Wood, MO - 2,472 homes, (2) Fort Sam Houston, TX - 926, (3) Fort Bliss, TX - 2,776, (4) Fort Drum, NY - 2,272, (5) Carlisle Barracks, PA – 316, (6) Picatinny Arsenal - 116, (7) Fort Benning, GA - 4,055 homes, (8) Fort Rucker, AL - 1,516, (9) Fort Gordon, GA - 872, (10) Forts Knox, KY - 3,380, (11) Fort Leavenworth, KS - 1,580, and (12) Redstone Arsenal, AL - 503.

### 3. Acquisition Process.

a. RCI focuses on the total residential community (not just houses) and uses a Request For Qualifications (RFQ) acquisition process. The RFQ process attracts world-class developers who bring best practices / innovations to AFH privatization projects. This best value process reduces time and costs for both Army and private sector developers who participate in the RCI program. The RFQ process seeks to evaluate and award on the basis that the firm selected is the most highly qualified (based on applied criteria) to engage in discussions with the Army to create a mutually agreed upon business plan to meet the Army's requirements.

b. The RFQ procurement approach allows The Army to:

?? Provide greater flexibility in negotiating long-term partnership agreements with the private sector partner.

- ?? Maximize opportunities for interchange between developers, the local community, and the Army.
- ?? Foster innovation and creativity and provide opportunities to craft the best business and development plans.

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- ?? Take greater advantage of private sector expertise and provide a mechanism for consultation with OSD and the Congress during the process.
- ?? Promote competition by lowering the entry cost for private sector offerors to submit a response.
- ?? Maximize competition because the process is acceptable to the private sector and the number of bidders continues to increase
- ?? Create large and complex real estate plans with the expertise and advice of private consultants.

c. The Fort Carson project used the RFP approach. The remaining three initial projects used a one-step RFQ process. Follow-on RCI sites will utilize a two-step RFQ process that will save money and expedite the process by announcing multiple sites.

d. The majority of the RCI sites utilize / will utilize a streamlined RFQ process that will save money and expedite the process. We are currently publishing three Minimum Experience Requirements (MER) for an initial selection of qualified offerors, and then announcing multiple sites with a 2 Step RFQ. The three MER factors include:

- ?? 1 -- Development
- ?? 2 -- Property Management
- ?? 3 -- Capital Formation

e. Step 1, of the two-step RFQ process, determines the competitive range for a group of projects (e.g., Forts Bragg, Campbell, Stewart / Hunter Army Airfield, and Polk) using the following five evaluation factors.

- ?? 1 -- Experience
- ?? 2 -- Financial Capabilities
- ?? 3 -- Organizational Capability (Corporate)
- ?? 4 -- Past Performance
- ?? 5 -- Small Business Plan (General History)

f. Step 2 then allows those in the competitive range to propose for any or all of the projects listed in Step 1 as they are individually solicited (not grouped). Step 2 uses the following 4 factors.

- ?? 1 -- Preliminary Project Concept Statement
- ?? 2 -- Financial Return

- ?? 3 -- Organizational Capability (Installation Specific)
- ?? 4 -- Small Business Utilization Plan (Installation Specific)

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#### 4. Community Development and Management Plan (CDMP).

a. Once the procurement process is complete, the Army awards a contract to the selected development partner to work with the specified installation to prepare a CDMP. The CDMP serves as the business plan for each specific RCI project, and it sets forth the proposed terms of the developer's long-term relationship with the Army. The CDMP consists of three main components: (1) Development Plan, (2) Financial Plan and Transactional Instruments, and (3) Operations, Maintenance, and Property Management Plan. Benefits of the CDMP process follow.

- ?? Allows Army / developer to work through issues collaboratively, and ensures major issues are identified and addressed before execution of the plan.
- ?? Provides a forum for the Army to consider proposals from the developer concerning the use of specific privatization authorities.
- ?? Gives the Army a mechanism for periodically conferring with Congressional oversight committees during project planning, as well as with representatives from the local community and other Army and Defense Department organizations to ensure the needs of all interested parties are satisfied.

b. It is expected that the CDMP process will require approximately seven months. During the first six months, the selected developer works closely with the Army to craft a CDMP that is the business plan for the proposed RCI project. The Army staffs this plan, and then submits it to the Congress for review. If Congress does not object to the project, the Army issues a Notice to Transition and the developer is paid a fixed sum for the CDMP. In return for this payment, the Army is granted full and unlimited rights to use the CDMP. Approximately three months later, housing assets and operations are turned over by the Army to the partnership, which is typically a limited partnership or limited liability company that includes the Army and developer as limited partners / members.

#### 5. Portfolio and Asset Management (PAM).

a. Although RCI project award and transfer of assets/operations are the more "visible" RCI activities, PAM functions are the most important because they are necessary to ensure that The Army's investments, assets and portfolio are fully protected against any current and potential crises and/or shortfalls over the next 50+

years of the 28 RCI projects. Accordingly, The Army is developing a RCI PAM program for full implementation during FY 2003.

b. In the private sector, the primary benchmark for measuring success of a Portfolio is financial return. While this measure is not the fundamental criteria for RCI PAM, the same underlying principles, strategies, approaches and tools apply. Thus, RCI performance will be measured based on: (1) the soldier's satisfaction with housing, (2) the continuous

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enhancement/preservation of housing over the life of the project, (3) the mitigation of risk to the project, and (4) successful completion of housing development scope of work.

c. To measure performance, RCI PAM will be established at two levels. The first, Portfolio Management (PM), includes the information required by Headquarters with the objective of assessing and assuring the overall success of RCI. Information collected and analyzed at Headquarters will also be provided back to the installation to enhance success of individual projects. The second level, Asset Management (AM) will focus on information prepared/used by the installation to assess the success of its project.

d. Army's approach to PAM also envisions tailoring its program to meet the specific needs of each Army housing privatization project and to provide key lessons learned to enhance and improve the policies/procedures at existing projects as well as drive a "best practice" approach for future projects.

6. Summary. The RCI program is a big part of The Army's plan to alleviate housing shortages and rapidly improve the condition of our existing housing. The RCI program reflects the shift in The Army's institutional philosophy toward managing installations as strategic assets. This broader vision has led us to focus on developing and managing communities and embrace comprehensive planning and execution, as opposed to piecemeal projects. The RCI program is giving us the opportunity to provide better homes and communities to Army families much sooner than traditional methods. The RCI Program attracts world-class developers and ensures the Army receives quality business and development plans and agreements at the most economical cost to the Army and development partner.

For additional information on the Army's RCI Program visit the Army's RCI website ([www.rci.army.mil](http://www.rci.army.mil)) or call the RCI Program Office at 703-692-9898.